

Agenda Item:

Audit and Governance Committee 27th July 2018

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| Title of Report | Statements of Accounts 2017/18 |
| Purpose of Report | To present the Statement of Accounts for 2017/18, provide detail on the key findings set out in the Audit Findings reports for the Council and Gloucestershire Pension Fund and allow the Committee to formally approve the 2017/18 audited accounts. |
| Recommendations | <p>That the Committee approves the:</p> <ul style="list-style-type: none">• Attached Statement of Accounts for the year ended 31st March 2018, including Gloucestershire Pension Fund Accounts 2017/18.• Strategic Finance Director and Chair of the Committee to sign the attached letter of representation, in Annex B, on behalf of the authority.• Strategic Finance Director and Chair of the Committee to sign the attached letter of representation, in Annex C, on behalf Gloucestershire Pension Fund. |
| Contact | <p>Jo Walker, Strategic Finance Director (01452) 328469 joanna.walker@gloucestershire.gov.uk</p> <p>Paul Blacker, Head of Financial Management (01452) 328999 paul.blacker@gloucestershire.gov.uk</p> <p>Jayne Fuller, Corporate Finance Manager (01452) 328926 jayne.fuller@gloucestershire.gov.uk</p> <p>Mark Spilsbury, Head of Pension Fund (01452) 328920 Mark.spilsbury@gloucestershire.gov.uk</p> |

Report

Introduction

- 1 The Strategic Finance Director (the Chief Financial Officer) has approved the Statement of Accounts for 2017/18 as presenting a true and fair view of the Council's financial position as at the 31st March 2018 and the income and expenditure for the year. The Statement of Accounts, including Gloucestershire Pension Fund Accounts, is attached at Annex A for review and approval.

The external auditor has provided separate commentaries and recommendations on the Statement of Accounts and Gloucestershire Pension Fund Accounts in their Audit Findings Reports, provided in separate agenda items.

Statement of Accounts

- 2 The Accounts & Audit Regulations require that the annual Statement of Accounts be produced and published by 31st July 2018, and that they are approved, prior to this date, by a non-executive committee of the Council.

The Statement of Accounts need to be prepared in accordance with the Accounting Code of Practice issued by the Chartered Institute of Public Finance and Accountancy (CIPFA), which is based on International Financial Reporting Standards (IFRSs). The Council is legally required to follow this Code of Practice.

The Code is a prescriptive document, determining both the accounting policies to follow and the form and content of the Statement of Accounts. This is designed to promote consistency and allow comparison of service expenditure and income between authorities.

County Council Statement of Accounts 2017/18

- 3 Annex A presents the Council's Statement of Accounts for 2017/18.

Draft accounts were produced and signed by the Strategic Finance Director presented for audit on 31st May 2018. In accordance with the Accounts and Audit Regulations 2015, which made changes in relation to the exercising of public rights, these draft accounts were available for public inspection for a 30 working day period, from 1st June 2018 to 12th July 2018. Members of the public are now only allowed to raise questions with the auditor within this 30 working day period.

No objections were raised relating to the draft 2017/18 Statement of Accounts during this period. There is still an outstanding objection to the 2016/17 Statement of Accounts relating to the Council's energy from waste scheme – this impacts on the auditor's ability to conclude their Value for Money judgement for both 2016/17 and 2017/18. Grant Thornton will give an update at the meeting.

The requirement to prepare the main 'core' financial statements is mandatory but the order of the Statements is discretionary. The Council's Statement of Accounts follows the order suggested by the Code of Practice.

The Narrative Report, found at the beginning of the Statement of Accounts, provides information about Gloucestershire, including the key issues affecting the Council and its accounts. It provides a summary of the financial position at 31st March 2018 followed by an explanation of the Financial Statements, including information on significant transactions during 2017/18.

The aim of the Narrative Report is to provide a wider overview of the financial position for the year ending 31st March 2018 and enable a greater understanding of key issues. It does this by providing an analysis of the budgeted and actual net expenditure for 2017/18 based on the management accounts, and then provides a summary of the key financial statements included within the statutory final accounts.

The Statement of Accounts shows that the County Council has total usable reserves of £241.4 million, long-term assets of £1.313 billion and current assets exceed current liabilities. The Council therefore remains in sound financial health.

Since producing the signed accounts only a small number of minor amendments have been made, all designed to improve disclosure in the financial statements and address typographical errors.

The Council's outturn position remains that approved by Cabinet in June 2018.

Audit Findings of the Council's Statement of Accounts

- 4 The Audit Findings Report, under a separate agenda item, summaries the external auditor's finding of the 2017/18 audit, and includes results of work undertaken by external auditors to assess the Council's arrangements to secure value for money in the use of resources.

In their Audit Findings Report the auditors acknowledge that the two OFSTED monitoring visits that took place in 2017/18 recognised that the Council is making progress in improving its Children Services, has made a significant investment in these services and has a clear improvement plan. However their judgement remains that the Council has not managed this risk effectively and did not make appropriate use of performance and service quality information. They have advised that this judgement will remain until OFSTED formally change their inadequate rating.

This finding will continue to impact on the Value for Money judgement.

The auditor anticipates providing an unqualified audit opinion in respect of the financial statements.

The auditor did not identify the need for any significant adjustments affecting the Council's reported position in the accounts. However the accounts do reflect the correction of a number of minor issues and adjustments identified in the external auditor's Audit Findings Report.

There were a small number of recommendations designed to improve disclosure in the financial statements. All of the recommendations were accepted and the accounts

amended accordingly.

None of the changes impact on the Council's outturn position for the year or the useable reserves in the balance sheet.

Audit Findings of Gloucestershire Pension Fund Statement of Accounts

- 5 The external auditor has also completed the audit of the Pension Fund accounts and associated working papers. The Audit Findings Report for 2017/18 is provided under a separate agenda item.

It is pleasing to report that the key messages arising from the audit of the Fund's financial statements are:

- There are no material errors or areas requiring amendment or any control weaknesses.
- The draft accounts were presented for audit in accordance with the agreed timetable.
- The auditors work at year end demonstrated that access to documents and the quality of working papers was of a high standard.
- The auditor is anticipating issuing an unqualified opinion on the Pension Fund Accounts.

Conclusion & Letter of Representation

- 6 By incorporating the changes identified above, and the results of external audit, the accounts are now presented to this Committee for approval.

The Chief Financial Officer is required to provide letters of representation to the auditors as part of the closure of the annual accounts. These letters confirm that the Chief Financial Officer is not aware of any material errors or other matters that may affect the accounts of the authority or the Pension Fund.

Part of the role of this Committee is to be responsible for the corporate governance of the Authority. Due to this it is good practice for the Audit Committee to agree these letters of representation therefore the letters will be signed by both the Strategic Finance Director and the Chair of the Audit & Governance Committee on behalf of the authority.

Jo Walker
Strategic Finance Director

Grant Thornton UK LLP
2 Glass Wharf
Bristol
BS2 0EL

27 July 2018

Dear Sirs

Gloucestershire County Council Financial Statements for the year ended 31 March 2018

This representation letter is provided in connection with the audit of the financial statements of Gloucestershire County Council for the year ended 31 March 2018 for the purpose of expressing an opinion as to whether the Council financial statements are presented fairly, in all material respects in accordance with International Financial Reporting Standards and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2017/18 and applicable law.

We confirm that to the best of our knowledge and belief having made such inquiries as we considered necessary for the purpose of appropriately informing ourselves:

Financial Statements

- i We have fulfilled our responsibilities for the preparation of the Council's financial statements in accordance with International Financial Reporting Standards and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2017/18 ("the Code"); in particular the financial statements are fairly presented in accordance therewith.
- ii We have complied with the requirements of all statutory directions affecting the Council and these matters have been appropriately reflected and disclosed in the financial statements.
- iii The Council has complied with all aspects of contractual agreements that could have a material effect on the financial statements in the event of non-compliance. There has been no non-compliance with requirements of any regulatory authorities that could have a material effect on the financial statements in the event of non-compliance.
- iv We acknowledge our responsibility for the design, implementation and maintenance of internal control to prevent and detect fraud.
- v Significant assumptions used by us in making accounting estimates, including those measured at fair value, are reasonable.
- vi Except as disclosed in the financial statements:
 - a there are no unrecorded liabilities, actual or contingent
 - b none of the assets of the Council has been assigned, pledged or mortgaged
 - c there are no material prior year charges or credits, nor exceptional or non-recurring items requiring separate disclosure.

- vii We confirm that we are satisfied that the actuarial assumptions underlying the valuation of pension scheme assets and liabilities for IAS19 Employee Benefits disclosures are consistent with our knowledge. We confirm that all settlements and curtailments have been identified and properly accounted for. We also confirm that all significant post-employment benefits have been identified and properly accounted for.

- viii Related party relationships and transactions have been appropriately accounted for and disclosed in accordance with the requirements of International Financial Reporting Standards and the Code.

- ix All events subsequent to the date of the financial statements and for which International Financial Reporting Standards and the Code require adjustment or disclosure have been adjusted or disclosed.

- x We have considered the misclassification and disclosures changes schedules included in your Audit Findings Report. The Council financial statements have been amended for these misclassification and disclosure changes and are free of material misstatements, including omissions.

- xi We have considered the unadjusted misstatements schedule included in your Audit Findings Report. We have not adjusted the financial statements for these misstatements brought to our attention as they are immaterial to the results of the Council and its financial position at the year-end. The financial statements are free of material misstatements, including omissions.

- xii Actual or possible litigation and claims have been accounted for and disclosed in accordance with the requirements of International Financial Reporting Standards.

- xiii We have no plans or intentions that may materially alter the carrying value or classification of assets and liabilities reflected in the financial statements.

- xiv We believe that the Council's financial statements should be prepared on a going concern basis on the grounds that current and future sources of funding or support will be more than adequate for the Council's needs. We believe that no further disclosures relating to the Council's ability to continue as a going concern need to be made in the financial statements.

Information Provided

- xv We have provided you with:
 - a. access to all information of which we are aware that is relevant to the preparation of the Council financial statements such as records, documentation and other matters;
 - b. additional information that you have requested from us for the purpose of your audit; and
 - c. unrestricted access to persons within the Council from whom you determined it necessary to obtain audit evidence.
- xvi We have communicated to you all deficiencies in internal control of which management is aware.

- xvii All transactions have been recorded in the accounting records and are reflected in the financial statements.

- xviii We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.

- xix We have disclosed to you all information in relation to fraud or suspected fraud that we are aware of and that affects the Council and involves:
 - a. management;
 - b. employees who have significant roles in internal control; or
 - c. others where the fraud could have a material effect on the financial statements.

- xx We have disclosed to you all information in relation to allegations of fraud, or suspected fraud, affecting the financial statements communicated by employees, former employees, analysts, regulators or others.

- xxi We have disclosed to you all known instances of non-compliance or suspected non-compliance with laws and regulations whose effects should be considered when preparing financial statements.

- xxii We have disclosed to you the identity of the Council's related parties and all the related party relationships and transactions of which we are aware.

- xxiii We have disclosed to you all known actual or possible litigation and claims whose effects should be considered when preparing the financial statements.

Annual Governance Statement

- xxvi We are satisfied that the Annual Governance Statement (AGS) fairly reflects the Council's risk assurance and governance framework and we confirm that we are not aware of any significant risks that are not disclosed within the AGS.

Narrative Report

- xxvii The disclosures within the Narrative Report fairly reflect our understanding of the Council's financial and operating performance over the period covered by the Council financial statements.

Approval

The approval of this letter of representation was minuted by the Council's Audit and Governance Committee at its meeting on 27 July 2018.

Yours faithfully

Name.....

Position.....

Date.....

Name.....

Position.....

Date.....

Signed on behalf of the Committee

Grant Thornton UK LLP
2 Glass Wharf
Bristol
BS2 0EL

27 July 2018

Dear Sirs

Gloucestershire Pension Fund
Financial Statements for the year ended 31 March 2018

This representation letter is provided in connection with the audit of the financial statements of Gloucestershire Pension Fund (‘the Fund’) for the year ended 31 March 2018 for the purpose of expressing an opinion as to whether the Fund financial statements are true and fair, in accordance with International Financial Reporting Standards and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2017/18 and applicable law.

We confirm that to the best of our knowledge and belief having made such inquiries as we considered necessary for the purpose of appropriately informing ourselves:

Financial Statements

- i We have fulfilled our responsibilities for the preparation of the Fund’s financial statements in accordance with International Financial Reporting Standards and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2017/18 (“the Code”); in particular the financial statements are fairly presented in accordance therewith.
- ii We have complied with the requirements of all statutory directions affecting the Fund and these matters have been appropriately reflected and disclosed in the financial statements.
- iii The Fund has complied with all aspects of contractual agreements that could have a material effect on the financial statements in the event of non-compliance. There has been no non-compliance with requirements of any regulatory authorities that could have a material effect on the financial statements in the event of non-compliance.
- iv We acknowledge our responsibility for the design, implementation and maintenance of internal control to prevent and detect fraud.
- v We acknowledge our responsibilities for making the accounting estimates included in the financial statements. Significant assumptions used by us in making accounting estimates, including those measured at fair value, are reasonable. Where it was necessary to choose between estimation techniques that comply with the Code, we selected the estimation technique considered to be the most appropriate to the Fund's particular circumstances for the purpose of giving a true and fair view. Those estimates reflect our judgement based on our knowledge and experience about past and current events and are also based on our assumptions about conditions we expect to exist and courses of action we expect to take.
- vi We are satisfied that the material judgements used in the preparation of the financial statements are soundly based, in accordance with the Code and adequately disclosed in the financial statements. There are no other material judgements that need to be disclosed.

- vii Except as disclosed in the financial statements:
 - a there are no unrecorded liabilities, actual or contingent
 - b none of the assets of the Council has been assigned, pledged or mortgaged
 - c there are no material prior year charges or credits, nor exceptional or non-recurring items requiring separate disclosure.

- viii Related party relationships and transactions have been appropriately accounted for and disclosed in accordance with the requirements of International Financial Reporting Standards and the Code.

- ix All events subsequent to the date of the financial statements and for which International Financial Reporting Standards and the Code require adjustment or disclosure have been adjusted or disclosed.

- x The financial statements are free of material misstatements, including omissions.

- xi Actual or possible litigation and claims have been accounted for and disclosed in accordance with the requirements of International Financial Reporting Standards.

- xii We have no plans or intentions that may materially alter the carrying value or classification of assets and liabilities reflected in the financial statements.

- xiii We believe that the Fund's financial statements should be prepared on a going concern basis on the grounds that current and future sources of funding or support will be more than adequate for the Fund's needs. We believe that no further disclosures relating to the Fund's ability to continue as a going concern need to be made in the financial statements.

Information Provided

- xiv We have provided you with:
 - a. access to all information of which we are aware that is relevant to the preparation of the Fund financial statements such as records, documentation and other matters;
 - b. additional information that you have requested from us for the purpose of your audit; and
 - c. unrestricted access to persons within the Fund from whom you determined it necessary to obtain audit evidence.

- xv We have communicated to you all deficiencies in internal control of which management is aware.

- xvi All transactions have been recorded in the accounting records and are reflected in the financial statements.

- xvii We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.

- xviii We have disclosed to you all information in relation to fraud or suspected fraud that we are aware of and that affects the Fund and involves:
 - a. management;
 - b. employees who have significant roles in internal control; or
 - c. others where the fraud could have a material effect on the financial statements.

- xix We have disclosed to you all information in relation to allegations of fraud, or suspected fraud, affecting the financial statements communicated by employees, former employees, analysts, regulators or others.

- xx We have disclosed to you all known instances of non-compliance or suspected non-compliance with laws and regulations whose effects should be considered when preparing financial statements.

xxi There have been no communications with The Pensions Regulator or other regulatory bodies during the year or subsequently concerning matters of non-compliance with any legal duty.

xxii We are not aware of any reports having been made to The Pensions Regulator by any of our advisors.

xxiii We have disclosed to you the identity of the Fund's related parties and all the related party relationships and transactions of which we are aware.

xxiv We have disclosed to you all known actual or possible litigation and claims whose effects should be considered when preparing the financial statements.

Approval

The approval of this letter of representation was minuted by the Council's Audit and Governance Committee at its meeting on 27 July 2018.

Yours faithfully

Name.....

Position.....

Date.....

Name.....

Position.....

Date.....

Signed on behalf of **Gloucestershire County Council** as administering body of the Pension Fund